

Swift's Notes on Marx:

## **AN INTRODUCTION TO MARXIST ECONOMIC AND PHILOSOPHICAL THEORY**

PDF explaining basic Marxist stuff below, I also recommend Sowell's book on Marx as the best introduction to Marxism along with Wolff. Many of you normies will probably be surprised that I'm recommending a book on Marx by what you perceive to be a conservative preacher, but Sowell was a Marxist all throughout his years at Harvard and is an expert of classical economics. He cites passages of Marx with literally every single claim he makes, radically defending Marx's theories and providing a great perspective of a huge range of topics including Marx's own development of thought throughout his lifetime. His defense of Marx is so radical Rothbard would go onto insult him for it. The reality is that when it comes to Marxism there is no one perfect introduction because there are so many different interpretations of Marx, you will be told by Marxists you don't understand Marx no matter how much you read on Marx.

Marxist Econ 101 by myself

<https://docs.google.com/document/d/1Jj14j6GBhwCzeRKeT3wUh-0xaYDUdJJ4onmUpuHCVE/edit?usp=sharing>

Marxism: Philosophy and Economics by Thomas Sowell

<https://b-ok.cc/book/1211649/02fc19>

Understanding Marx: A Reconstruction and Critique of "Capital by Robert P. Wolff (and lecture series below)

<https://b-ok.cc/book/2475008/5d2475>

[https://www.youtube.com/watch?v=35cr\\_whPC88](https://www.youtube.com/watch?v=35cr_whPC88)

A few points I would like to give before you go onto reading about Marx. The most important thing I must stress is the depth of language games that can be played on this topic, the LTV will be a perfect example. When someone says "Labour theory of value" what do they actually mean? the word itself denotes different meanings to different people, for some it is simply the argument that labour time determines the price in the market, for others in equilibrium, for some, it is primarily defined by its ability guide market prices in accordance with a tendency, some call Marx's theories of "exploitation" (a word denoting both a normative and non-normative meaning simultaneously) and for others, they include within the LTV the falling rate of profit and business cycle theory. Therefore I stress that you must not use the term "labour theory of value" at all, on its own, it is meaningless and opens you to sophistry. When talking Marx's theories you must spell it out bit by bit and give no terms which could denote more than one meaning to explain what you're saying, at all!

Adding to this, one must distinguish carefully between IS claims, and OUGHT claims, as well as the theory itself and the truths we can derive from the theory. For example, it IS (Isn't) the case that all surplus is the result of labour, but do we OUGHT to define this as exploitation (normatively). Marx's theory of the falling rate of profit IS (Isn't) correct (including the counter-acting tendencies) but, this is a separate conversation from whether the rate of profit will fall to zero, when it will fall to zero and if the falling rate of profit this will result in socialism. This adds another layer to the language games, as some

will define concepts with concepts contained within them (things derived from them) that another simply doesn't.

When one says "Marx's theory of surplus extraction" they could mean simply the concept of a worker receiving less in wages than the value they put into commodities in the form of labour, or they could include the aforementioned concept and then embed the normative concept of exploitation within it, leaving a huge opportunity for Mott and Bailey's ([https://en.wikipedia.org/wiki/Motte-and-bailey\\_fallacy](https://en.wikipedia.org/wiki/Motte-and-bailey_fallacy)) and sophistry. Marxism is shrouded in language games, but once one cuts enough heads from the hydra, one will quickly realize the weakness of the body.

### **MARX'S THIRD THING ARGUMENT AND "LABOUR THEORY OF VALUE"**

Marx's third thing argument explained in the Marxist econ 101 PDF above in more depth Marx does not provide a shred of positive evidence for his position and in an attempt to provide a negative argument for his position, simply fails miserably

- P1- The ratios in which two different commodities can be exchanged for one another can always be represented in the form of an equation: 'So much of one commodity = so much of the other commodity'

P2- An equation of the form 'So much of one commodity = so much of another commodity' signifies that each quantity of each commodity possesses some common property in equal value.

P3- The only property that is common to all different quantities of commodities that are capable of being exchanged for one another is the property of being producible by means of labour

P4- Therefore, when different commodities can be exchanged for one another, this is because each is producible with the same amount of labour We see upon analysis that Premises 2 and 3 are both flawed.

First, P2, let's assume that the exchange of two commodities can be represented in the form of an equation, then how does it follow from this that the two magnitudes must be of common property and unequal proportion in order for an exchange to take place? There is simply no reason or attempted justification given by Marx for this postulate. Just because an apple exchanges for an orange, how does it follow that there exists equality? This idea of two commodities being of equal value is not something deduced, but instead simply taken as a given from Aristotle in the Nicomachen Ethics.

If one questions exactly how it could be otherwise, how it could be that commodities could exchange without a common property existing between them, this could be supplied with an explanation of the subjective theory of value. The Austrian would explain that all commodities must bear utility and that exchange involves an inequality of perceived use-value to the acting individuals involved. For example, if person A owns X but would prefer Y and B owns Y but would prefer X, then it is in both of their interests to exchange. This exchange does not require equality of anything, it in fact relies on the inequality of values.

Even if we very generously grant P2 the argument still runs into the problem of P3, which is in fact simply false. Commodities have more than one common property other than labour, for example, all commodities have some weight but does this mean that commodities exchange in accordance with their weights? Is the weight of a commodity responsible for an exchange taking place?

Karl Marx and the Close of His System by Bohm Bawerk P,64-80

[https://www.mises.ch/library/BoehmBawerk\\_Marx&CloseOfHisSystem.pdf](https://www.mises.ch/library/BoehmBawerk_Marx&CloseOfHisSystem.pdf)

The final strike against Marx's third thing argument specifically is the charge of intrinsic value that Marx embodies a commodity with, essentially serving to separate the concept of value from what it is dependent on, that being, an independent valuing subject. 'Thus value for Menger in stark contrast to Marx is to be accounted for exclusively in terms of the satisfaction of human needs and wants. Economic value, in particular, is seen as being derivative of the valuing acts of ultimate consumers, and Menger's thinking might most adequately be encapsulated as the attempt to defend the possibility of an economics which would be at one and the same time both theoretical and subjectivist in the given sense. Among the different representatives of the philosophical school of value theory in Austria (Brentano, Meinong, Ehrenfels, etc.) subjectivism as here defined takes different forms.(18) All of them share with Menger however the view that value exists only in the nexus of human valuing acts.'

<http://ontology.buffalo.edu/smith/articles/menger.html>

<http://dustbringer.blogspot.com/2019/01/an-aristotelian-critique-of-marxist.html>

[https://www.youtube.com/watch?v=-dDj4T\\_adTA&t=1213s](https://www.youtube.com/watch?v=-dDj4T_adTA&t=1213s)

Adding to all of this, the labour theory of value (or cost theory of value) is also unable to explain a large number of phenomena within capitalism that as value theory, many would argue it should. These views were first put forward by Bohm-Bawerk and have remained true since then. However, it should be noted that these insufficiencies of the theory should not be confused with refutations of the theory, as it's argued by many Marxists that the LTV was never created to explain all exchange relations or natural prices but instead the laws of motion of capitalism, this will become more relevant the more you read (different Marxists say different things). Bohm Bawerk gives an amazing argument for the superiority of the marginal utility as an explanation of Ultimate Standard of Value.

The Ultimate standard of value:

<https://cdn.mises.org/The%20Ultimate%20Standard%20of%20Value.pdf>

As well as... Value, Cost and Marginal utility

[https://cdn.mises.org/qjae5\\_3\\_5.pdf](https://cdn.mises.org/qjae5_3_5.pdf)

with the essential ideas summed up nicely here by Murphy, although I must stress that Bohm-Bawerks writing contain so much more information and perspective that presented here.

THE LABOR THEORY OF VALUE: A CRITIQUE OF CARSON'S STUDIES IN MUTUALIST POLITICAL ECONOMY  
ROBERT P. MURPHY

[https://cdn.mises.org/20\\_1\\_3.pdf](https://cdn.mises.org/20_1_3.pdf)

**Methodological Objections.**

The most fundamental objection is that a cost theory of (exchange) value entirely neglects the causal role of subjective valuations in the formation of market prices. Human actors are forward-looking, and hence past expenditures and effort are irrelevant to the present determination of the relative merits of two different commodities. Even if all memory of previous expenditures were suddenly lost, market prices would still form. Clearly then, the cost theory of value is not the deepest explanation possible. For further reading on this see LSE essays on cost

[http://oll-resources.s3.amazonaws.com/titles/105/Misc\\_0725\\_EBk\\_v6.0.pdf](http://oll-resources.s3.amazonaws.com/titles/105/Misc_0725_EBk_v6.0.pdf)

Aswell as chapter 5 of MES and cost and choice by Buchanan

<https://oll.libertyfund.org/titles/buchanan-cost-and-choice-an-inquiry-in-economic-theory-vol-6-of-the-collected-works>

- Applicable only to reproducible goods. Obviously the cost theory of value can only explain market prices of reproducible goods. An entirely different theory is needed if one wants to explain, say, the relative price of a Van Gogh painting and a guitar played by Elvis. (edited)
- The time element. The cost theory can only explain the “natural” (long-run) price of a good; it cannot explain the day-to-day fluctuations in market price that characterize any actual good. Additionally—as Böhm-Bawerk stressed—the phenomenon of originary interest destroys any hope to explain the final price of a good by the prices of its inputs unless “time” is classified as an input with its associated money price.
- “Costs” are prices. The cost theory of value is at best a partial theory; it explains the price of a television set by reference to the money costs of the labour, glass, and other resources that went into its construction. But these “money costs” are really nothing but the market prices of these particular goods and services (i.e. labour hours, units of glass, etc.). The cost theory of value does not, therefore, build up price from more fundamental building blocks; instead, it merely spells out relationships that must obtain (in the long-run) among the prices of certain goods and services.
- The Labour cost theory also gives no way of explaining the value of land and animals used in agriculture, Marx talks of a piece of land of animal having value because "A man builds a fence around it". Anyone can see Marx has this the wrong way around, the land or animal does not have value because it is owned, it is owned because it has value. Marx runs into this problem because he defines the commodity with the characteristic of labour from the beginning, so when he then asks "what is the common property in all commodities", he has retroactively engineered the answer. Bohm-Bawerk discusses all of this.

All of the above the Subjective Theory of value accounts for. Many (such as myself and Robert Murphy) would argue that the goal of a value theory should be to explain why someone is selling good X can receive x berries in exchange for it, whereas someone selling good Y will only find someone willing to give up y berries in exchange for his good (where  $y < x$ ). It is only in this sense that we can call the LTV incorrect e.g when Marxist tries to use labour input to explain why an exchange takes place. It must be added that not only can the Marxist theory not explain market prices (unlike what some Marxists claim when referring to the alleged empirical evidence that proves the theory) but also the cost of production labour theory cannot even explain exchanges in equilibrium in accordance with labour time (value

(labour time) only equals price in aggregate). This will be expanded on in the transformation problem and Bohm Bawerk section.

Another argument against Marx, here against the idea that surplus value is the source of all profits comes from a classical economic perspective itself. Reisman argues that Marx's theory rests on a fundamental mistake. If under capitalism, profits are deducted from wages, then wages must be the original source of income. But, this is false: in the precapitalist economy, only workers receive incomes, and there are no capitalists and no money capital. But all the incomes that the workers receive are profits and none are wages. Profits come first, and the prior existence of wages does not explain them. The existence of the capitalist is what allows the workers to raise their own living standards in the first place, an idea that even Robertus appears to agree with. In essence, the role of the capitalist is to raise the productivity, and thus the real wages, of manual labor by means of creating, coordinating, and improving the efficiency of the division of labor.

Capitalism by George Reisman P,473-498/603-672

<https://mises.org/library/capitalism-treatise-economics>

<https://mises.org/library/classical-economics-vs-exploitation-theory>

<https://www.youtube.com/watch?v=nEsTj1-9NAk>

### **MARX'S CONCEPTION OF LABOUR AND WAGES**

The lack of any ability to turn labour into one single homogenous unit In Marx's system, all commodities production are talked of with reference to its "socially necessary labour time". All labour is reduced to one unit of unskilled labour by which all commodities are compared to, but this conception has no validity. Value itself is something subjective that can only be ordinally ranked, meaning we cannot rank utility between different people. We don't have an interpersonal utility function. Therefore, given that labour is itself not a homogenous good, how is it that all labour can be reduced to one value scale when value itself cannot be compared between individuals? Of course, you can't, and this is something Bohm-Bawerk makes clear.

Karl Marx and the Close of His System P,80-90

<https://mises.org/library/karl-marx-and-close-his-system>

A quick note on papers that claim to be able to deduce labour to an homogenous unit, this is all simply question begging, as determining an objective measurement of labour will require objective values to be established for the goods produced from the labour. This itself must be determined and then we return to the usual circular logic we see when talking to Marxists on value theory and the ECP.

### **Marx and Wage Formation**

In the first volume of Capital Marx describes the value of labour as the labour required to reproduce itself, labour time determines labour time. However, in the third volume of Capital, this changes to the extent one might assume given the differences between the volumes of Capital. In the third volume, the wage rate is not determined directly by the socially necessary labour time needed to reproduce it, but instead, the socially necessary labour time needed to reproduce labour is an equilibrium around which the wage rate fluctuates in disequilibrium.

Under Marxism, labour is no different from any other commodity, wages are determined by the cost of reproducing it, the commodities required to sustain the labourer. For example, imagine that the worker only requires bread to survive, the wage would then depend on how much bread the worker requires, "how much" meaning the value of the quantity of bread (as opposed to the physical quantity.)

If wages depend on the value of bread, then we obviously need to know that value. But bread, like all other commodities, is subject to the labour theory of value, in Marx's view. To determine the value of bread, one needs to determine the value of the labour that produces bread. But the wages of bread-producers, like all other wages, depend on the value of labour-power. This in turn depends on the value of bread. The circularity here is apparent, before one can determine the value of labour-power one needs to determine value of labour-power, one needs to know the value of bread, a value that in turn depends on the value of labour-power. Unless one can break out of the circle, the labour theory's explanation of wages and profits fails.

VALUE, COST, AND MARGINAL UTILITY EUGEN VON BÖHM-BAWERK

[https://cdn.mises.org/qjae5\\_3\\_5.pdf](https://cdn.mises.org/qjae5_3_5.pdf)

Marxists (primarily Analytical) would later come to these conclusions themselves independently, unaware that Bohm-Bawerk had already done so the century before.

### **Discussions of labour productivity, labour disutility and conflicts of interest**

According to the fantasies of Marx, Fourier, Kautsky and Trotsky, capitalism is a system which causes labour alienation, the detachment from the socialist world will be a world in which all man's wants will be satisfied, and labourers will become magically more productive as work no longer becomes a burden. Of course, such conceptions are nothing but fantasy.

Marxists seem to not fully grasp the relationship between capital and labour, in Marxist theory it is true that increased capital intensity means more output more workers, but Marxists usually shroud this in misleading terminology revolving around the "decreasing power of labour relative to that of machines". The thing that is not recognized enough is how increased capital intensity in the production process is what raises the bargaining power of labourers and therefore wages, as each individual worker increases their marginal output they defacto see their wages rise, as the wage rate is equal to the marginal productivity of labour. This is why capital accumulation should not be something frowned upon, it is what causes technological advancements and economic growth, increasing not only wages but decreasing the price of goods and services on the market and increasing living standards.

Socialism by Mises- P,163-184

[https://cdn.mises.org/Socialism%20An%20Economic%20and%20Sociological%20Analysis\\_3.pdf](https://cdn.mises.org/Socialism%20An%20Economic%20and%20Sociological%20Analysis_3.pdf)

Human Action by Mises- P,131-138/476-520/584-630/660-684/763-773

[https://cdn.mises.org/Human%20Action\\_3.pdf](https://cdn.mises.org/Human%20Action_3.pdf)

<https://www.youtube.com/watch?v=VjTCS1-Ykvw>

### **THE EXPLOITATION THEORY**

When it comes to exploitation Marxists can be split into two different schools of thought, the justice school and coercion school, the former dependent on Marx's labour concept of value and surplus value and the latter not, being developed by analytical Marxists who rejected using Marx's value theory. Both agree that a non-reciprocal benefit is not enough for exploitation for Marx. There can be non-exploitative and non-reciprocal benefit of one party by another. If it was the case that exploitation could be defined by simple non-reciprocal benefit, then workers who have their wealth/income taxed in order to help the disabled would be considered exploited, as the relationship is non-reciprocal, of course, Marxists wouldn't be fans of such.

Justice interpretation Justice interpretation: As well as there being a non-reciprocal benefit, it must be unjust that the benefited party gain their benefit without reciprocating the benefit. In other words, proponents of the justice interpretation advance for the following understanding of exploitation: A exploits B if, and only if:

(1) Benefits A in some way without A benefiting B in return, and

(2) A's failure to benefit B in return for B's benefiting A is unjust (This is the view held by Z. Husami in "Marx and distributive justice", m. Cohen, T. Nagels and T. Scanlon in "Marx, Justice and History", P, 42-79, G.A Cohen in "labour theory of value and the concept of exploitation" as well as "More on Exploitation and the labour theory of value")

According to this view, the worker is exploited in the form of their surplus-value of their labour being extracted while the capitalist does not make a reciprocal return to the worker in equal value. Deductions from labour value to give to the disabled are not defined as exploitation, as the deductions are not unjust, the disabled are morally entitled to them for reasons that Marx never justifies. - This can obviously be something you ask them to justify, as if they cannot give an argument for why some individuals deserve surplus of workers (while others don't, a distinction itself that must be justified) despite not giving anything in return then their argument is deduced to simply that of coercion, and if that is the case then you can run the standard libertarian ethics route. It's also important to note that Bohm-Bawerk (and Wieser) shows in the positive theory of capital how interest as a phenomena must exist within a socialist system. So if differences between the present and future value of goods (interest) are seen as exploitation to the socialist, then he must admit that the socialist system is also exploitative

Works refuting this theory of exploitation...

Capital and Interest by Bohm Bawerk- P,295-392

<https://mises.org/library/capital-and-interest>

Böhm-Bawerk's Critique of the Exploitation Theory of Interest- Secondary source

<https://mises.org/library/b%C3%B6hm-bawerk%E2%80%99s-critique-exploitation-theory-interest>

The Positive Theory of Capital by Bohm-Bawerk P,237-374

<https://cdn.mises.org/The%20Positive%20Theory%20of%20Capital.pdf>.

Classical Economics vs. The Exploitation Theory

<https://mises.org/library/classical-economics-vs-exploitation-theory>



## Coercion interpretation or wAgE SIAvErY

This interpretation holds that no exploitation comes from the extraction of surplus value labour. According to this interpretation, what makes non-reciprocal benefit exploitation is that the unreciprocated benefit is forced from the benefactors by the beneficiaries According to this school A exploits B only if:

(1) B benefits A in some way without A benefiting in B return, and...

(2) A forces B to benefit (Arguments for the coercion interpretation come from A.W wood, "The Marxist Critique of Justice" and also "Marx on right and wrong")

A complete discussion of this by David Gordon: Resurrecting Marx P,77-144

<https://b-ok.cc/book/976404/df377e>

Short refutation 1) If a slave is a person who is owned by another person(s), then an employee is not a slave of a business owner. (if p then q) 2) A slave is a person owned by another person(s). (p) c) Therefore, an employee is not a slave of a business owner. (therefore, q) Definitions. To own something is to have ownership over it. Ownership means to have the exclusive control and a moral or legal recognized right to said control. Exclusive control can be anything from excluding others from using said something to destroying it. A right is a moral or legal obligation imposed on others not to steal, destroy, or deny the recognized owner of what they own insofar as the use of said something does not interfere with others ability to wield control of their said something. The term "wage slavery" is therefore nothing but a rhetorical device used to emotionally manipulate.

Also It's important to consider opportunity cost, human beings have to work no matter the social system, what compels man to work is a force of nature, not specific to capitalism as a social structure. The question could simply be asked, which social structure results in the best net outcome for individuals? This last point being very important if the individual you're talking to is a consequentialist, which most socialists almost always are. Also, even in the event they are not, it is still a very convincing line of reasoning. Arguing for the "greater good" against a Marxist will seem, and indeed be, very uncomfortable for anyone on the left hand side of the spectrum.

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General overview covering some of Bohm Bawerks critiques of Marx in the topics above, but not all, that would take a very long time.

<https://www.youtube.com/watch?v=RDNbRS7kw4c>

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## THE TRANSFORMATION PROBLEM

Note: Marxist Econ 101 google doc should be read before moving onto this section (edited)

The transformation problem is one of the most famous issues in Marxist Economic History and still incredibly relevant to what Marxists say today. It's simply the case that you cannot simultaneously hold that equilibrium exchanges are determined by socially necessary labour time and that the equilibrium price is determined by the capital composition of constant capital to variable capital. Marx first claimed



that the contradiction was only a seeming one and would be resolved in later works but never came through on his promise, with attempts to solve the issue by Marx in volume 3, Engels and the Marxists of the time. Note: If anyone Marxists try to tell you that the transformation problem was never a problem for Marx then they are just lying. Here is Marx admitting to the contradiction.

"We have thus shown that in different branches of industry varying rates of profit are obtained according to the differences in the organic composition of the capitals, and also, within given limits, according to their periods of turnover; and that, therefore, even with equal rates of surplus-value, there is a law (or general tendency), although only for capital possessing the same organic composition,-the same period of turnover being assumed-that the profits are in proportion to the number of capitals, and therefore equal amounts of capital yields in equal periods of time are equal amounts of profit. The argument rests on the basis that hitherto generally been the basis of our reasoning, that commodities are sold according to their values. On the other hand, there is no doubt, in reality, not reckoning unessentials, accidental or self-compensating differences, the differences in the average rate of profit for different branches of industry does not exist and could not exist without upsetting the whole system of capitalist production. It appears therefore that here the theory of value is irreconcilable with the actual phenomena of production. and that, on this account, the attempt to understand the latter must be given up" Capital volume three page 252

Bohm Bawerks critique of Marx covers many different parts of Marxist Economic theory, but mainly focuses on the attempts of Marxists to fix this problem, with four many arguments salvaged from Marx's work.

Karl Marx and the Close of His System by Bohm Bawerk P,1-63

[https://www.mises.ch/library/BoehmBawerk\\_Marx&CloseOfHisSystem.pdf](https://www.mises.ch/library/BoehmBawerk_Marx&CloseOfHisSystem.pdf)

Note: Truediltom mentions the argument that Bohm-Bawerk was not aware of Marx's dialectical method. I challenge anyone who thinks thinks to this to open the PDF of capital and interest and karl Marx and the close of his system, hit CTRL+F and type "dialectical" "dialectician" and "dialectic" Note: again, this video does not contain "Bohm Bawerks critique" because no one critique exists, he has loads written across multiple books and articles, so please be specific when referring to Bohm Bawerk.

Some Marxists might put forward the idea that Marx's "LTV" can be solved by using empirical data, but the ridiculousness of these claims are quite unbelievable, especially when some of the more naïve Marxists try to argue data can fix the transformation problem, with a tendency towards two separate equilibriums simultaneously?!

## **THE TENDENCY OF THE RATE OF PROFIT TO FALL**

(Reading something from an introduction to Marxism is essential)

The TRPF is a huge topic but can be broken down into certain components which are important to keep an eye on. Also, all of this is dependent on the validity of Marx's theories prior to this, especially concerning the idea that profit only arises out of surplus extraction of workers. 1- Is the rate of profit actually falling? Right off the bat, we have an incredibly large topic covering decades. The measuring of the falling rate of profit is one of the biggest messes of Econometrics that exists, with so many different ways of measuring the rate of profit due to the struggle quantifying the factors below.. A lot of studies

also seem to be using only fixed capital and not circulating capital, which is problematic given the constant increasing of circulating to fixed capital over time.

Econometric issues-

[https://en.wikipedia.org/wiki/Tendency\\_of\\_the\\_rate\\_of\\_profit\\_to\\_fall#Counteracting\\_tendencies](https://en.wikipedia.org/wiki/Tendency_of_the_rate_of_profit_to_fall#Counteracting_tendencies)

- Property income
- Write-offs
- Fixed assets
- Transfer costs
- Scrap value
- Profit-sharing
- Land sales
- Asset valuation
- Tax dodging
- Financial techniques
- Statistical accuracy
- Qualitative change
- Data quality
- Multiple rates
- Archaic accounting
- Wealth creation

The wiki above has a long explanation of the different econometric issues. With such a huge list of potential issues in the measuring of the falling rate of profit, there exists so many possible ways to possibly leave out certain factors (while including others) to best suit the narrative that you have created. These huge issues concerning the calculation of the rate of profit has resulted in no agreement among Marxists as to the real state of the falling rate of profit, with many Marxists instead opting for a theory which involves explaining the demise of capitalism via its crises.

2- The falling rate of profit in theory The TRPF depends on Marx's value theory, that even modern Marxists themselves have seemed to abandon...

[https://keonomics.s3.amazonaws.com/debtdeflation\\_media/papers/Jhet\\_use.PDF](https://keonomics.s3.amazonaws.com/debtdeflation_media/papers/Jhet_use.PDF)

Secondly, Marx's theory of the falling rate of profit should not be confused with the claim that the rate of profit will actually fall to zero, Marx himself lists counteracting tendencies to the TFRP in volume three. The main for Marx issue is as follows Note the following; technical composition of capital is the

ratio between the means of production and labour power involved in some production process organic composition of capital (The ratio of  $C/V$ ).

Marx's deduction of the rate of profit fall is based off

- 1) As capitalism develops the organic composition of capital rises ( $C$  increases relative to  $V$ )
- 2) When the organic composition of capital rises, it rises faster than surplus value

However, it is perfectly possible that the technical composition can rise while the organic composition falls. The increased labour productivity can be increased by labour saving technology that the value of new technology and raw materials now used by labour decreases. Therefore we can see the organic composition fall and while technical increases. But even if Marx is correct that a rise in the technical composition means an increasing of the organic composition, it still does not follow from this that the rising organic composition increases at a faster rate than that of the rate of surplus value. A rising technical composition of capital is equivalent to rising productivity, meaning it takes less time to produce the workers means of subsistence. From here, provided that the working day does not diminish in length and that wages do not rise by a corresponding amount, a rise in the technical composition of capital will result in rising surplus value.

As the Marxist Paul Sweezy put it in "The Theory of Capitalist Development" on page 104 "There is no general presumption that changes in the organic composition of capital will be relatively so much greater the changes in the rate of surplus value that the former will dominate movements in the rate of profit. On the contrary, it would seem that we must regard the two variables as of roughly coordinate importance. For this reason Marx's formulation of the law of the falling rate of profit is not very convincing"

Counter-acting tendencies Marx lists himself

- More intense exploitation of labour (raising the rate of exploitation of workers).
- Reduction of wages below the value of labour power (the immiseration thesis).
- Cheapening the elements of constant capital by various means.
- The growth of a relative surplus population (the reserve army of labour) which remained unemployed.
- Foreign trade reducing the cost of industrial inputs and consumer goods.
- The increase in the use of share capital by joint-stock companies, which devolves part of the costs of using capital in production on others.

Other factors which the Marxist Mandel points out:

- Reductions in the turnover time of industrial capital generally (and especially fixed capital investment).
- The level of price inflation for different types of goods and services.
- Taxes, levies, subsidies and credit policies of governments, interest and rent costs.
- Capital investment into areas of (previously) non-capitalist production, where a lower organic composition of capital prevailed.

- Military wars or military spending causing capital assets to be inoperative or destroyed, or spurring war production (see permanent arms economy).
- Demographic factors.
- Advances in technology and technological revolutions which rapidly reduce input costs. Particularly in the era of globalization, the national and international freight rate (shipping, trucking, railfreight, airfreight).
- Substituted natural resource inputs, or marginal increased cost of non-substituted natural resource inputs.
- Consolidation of mature industries into an oligarchy of survivors. Mature industries do not attract new capital because of low returns.
- Mature companies with large amounts of capital invested and brand recognition can also try to block new competitors in their markets.
- Secular stagnation theory
- The use of credit instruments to reduce capital costs for new production.

The okishio theorem shows that increases in productivity will increase the profit rate provided real wages remain the same, with John Roemer, later applying the theory to a scenario which took into account fixed capital. The TSSI (a response to anti-Marxist arguments) only shows Marx's internal consistency and not necessarily the correctness of his arguments. For example, it is theoretically possible that the rate of profit could fall in Marx's system, but this would mean that the marginal product of labour isn't equal to the wage rate. John E. Roemer, *Analytical Foundations of Marxian Economic Theory* "There is no hope for producing a falling rate of profit theory in a competitive, equilibrium environment with a constant real wage... this does not mean... that there cannot exist a theory of a falling rate of profit in capitalist economies. One must, however, relax some of the assumptions of the stark models discussed here, to achieve such a falling rate of profit theory." Ladislaus von Bortkiewicz "Marx's own proof of his law of the falling rate of profit errs principally in disregarding the mathematical relationship between the productivity of labour and the rate of surplus value."

3- Even if the rate of profit is falling and Marx's theory is correct...this still doesn't mean the inevitability of socialism

Even under the assumption that Marx's system is theoretically sound through and through, with the falling rate of profit indeed coming about due to the mechanism of capitalism Marx describes (none of which is true), this would still not mean the coming about of socialism. The reason for this is fairly simple to grasp for anyone trained in the theoretical constructions used by Mises and Rothbard. The reality is that the rate of profit will never disappear, the only way a rate of profit could be at zero is if all of the demand for consumer goods and all of the conditions concerning the supply of factors of production were to never change, but as long as these changes in demand and supply are taking place, there will always be an altering of the production process to best serve the demands of customers, some businesses will lose profits and others gain as a result of these changing conditions. The Marxists idea of the falling rate of profit is one in which it literally no longer becomes possible to take a collection of inputs and turn them into an output which exceeds the collective value of the inputs, forever stationary,

without change. But the actual world is one of permanent change. Population figures, tastes, and wants, the supply of factors of production and technological methods are in a ceaseless flux. In such a state of affairs there is need for a continuous adjustment of production to the change in conditions.

### **MARXISM AND BUSINESS CYCLE THEORY (CRISIS THEORY)**

One of the most common criticisms seen today of capitalism is the argument that capitalism is "inherently unstable", but how decisive is such criticism of capitalism? Marx's perceived business cycle theory itself has been split into three primary categories by Marxists

1- Disproportionality theory

2- Underconsumption theory

3- Falling rate of profit theory

Ernest Mandel does a good job in the introduction to volume 3 of capital explaining them all, and why some are better than others. I, only with Mandel believe Marx's theory of the business cycle was one of disproportionality and not the others.

Introduction to Capital Volume Three P,38-56

<https://b-ok.cc/book/2035965/75b78a?dsourc=recommend>

To put it simply, you can just employ the Austrian business cycle theory to address any claims coming from Marxists concerning the business cycle, showing how business cycles are the result of governments increasing the money supply in the economy. As a specific example, you have Rothbard to explain the great depression and Salerno in 2008 as examples, but a solid grounding in the ABCT is required for talking about these topics, the best single work on the ABCT being found in de Soto.

The last thing to keep in mind concerning business cycle theory and Marxists in reference to the falling rate of profit. In light of so many objections to the falling rate of profit, many Marxists have simply turned to the idea of capitalist crisis eventually resulting in socialism, putting less emphasis on the falling rate of profit literally reaching zero. If a Marxist plays the argument that a fall in the rate of profit causes business cycles then this is simply a correlation and causation error. just because you correlate changes in the rate of profit during the business cycle, doesn't mean that this rate of profit (as theorised by Marx) is responsible for the business cycle. Marxists don't have a detailed cause and effect explanation of the business cycle...but the Austrians do. I'll be writing a google doc on all this in the future, Marx's business cycle theory is very very similar to that of the Austrians, to a scary degree.

